



Bull Targets Agricultural Machinery Leader Poised for a Big 2022

Ticker/Price: DE (\$360)

Deere (DE) buyer of 1000 January \$380/\$320 bull risk reversals for \$6.45 this morning and looking to clear a multi-week base, a large-cap name lacking any real notable open interest. Shares are forming a big bull wedge under \$380 with room above to recent highs at \$392.50 and then a measured move to \$455-\$460. DE has been in a consolidation pattern for much of 2021 after a big run last year and poised to continue the long-term trend higher. The \$109B company trades 16.2X earnings, 2.55X sales, and 14.5X cash with a 1.2% yield. DE is coming off a strong quarter with commentary around demand strong including their entire early order program sold out and demand supportive of double-digit growth next year. They also noted positive trends in early combine orders while their large tractor book remains full into the 2H of 2022. DE has been able to pass on cost hikes better than most and now sees just 1-2 more quarters of cost pressures. They've also seen better take rates for their advanced precision ag products which should continue to boost services revenue and help margins in 2022. DE is currently facing a strike from the UAW and looking to bring resolution soon and avoid any further delays, a potential positive near-term catalyst. Analysts have an average target for shares of \$377 with a Street High \$450. Evercore cutting shares to Neutral on 10/14 citing the UAW strike which could create near-term headwinds for the company already facing issues around margins and backlogs. But, they note, the move could very well turn into a buying opportunity if they reach a resolution soon. BAML noting on 10/15 that they think DE has a limited appetite for a long strike and the situation will be short-lived. Short interest is less than 1%. Hedge fund ownership fell 2.5% last quarter. Viking Global a notable buyer of 590K shares. In June, a director bought \$100K in stock at \$359.60, the first open market buy in the name in the last four years.

Hawk Vision:



Hawk's Perspective: DE has an explosive weekly setup under \$380 and very positive on the underlying demand and pricing environment on their last call, positioned well for continued gains in 2022 while a resolution to the UAW strike could be a near-term boost and shift focus back towards 2022

Confidence Ranking: \$\$